

UNDERSTANDING YOUR ANNUAL RATING ENDORSEMENT

The front page of your Annual Rating Endorsement (ARE) shows two rates for each classification (Example 1). The first column **A** is the **Base Rate**. This is the rate State Fund charges per \$100 of payroll in each classification covered on your policy prior to any applicable rating and premium modifiers.

The second column **B** is the **Interim Billing Rate**. These adjusted rates reflect the **Rating Plan Modifier** and **Premium Discount Modifier**. These are the rates that will appear on your payroll reports. The actual premium discount applied at final billing will be based on the actual payroll reported on your policy and your final audit.

On the last page of your ARE, you will see a summary of modifiers which are anticipated to apply to your policy (Example 2).

The Rating Plan Modifier **C** includes all Rating Factors applicable to your policy (such as group discount and merit rating), except Premium Discount **D**, and is applied to the Base Rates to calculate your Interim Billing Rate and your **Estimated Modified Premium**.

A Premium Discount Modifier is applied to **all** policies with an Estimated Modified Premium over \$2,500. This discount is applied to your Estimated Modified Premium.

For example, on a policy with a premium of \$6,500, the Premium Discount is determined as follows:

\$ 2,500 x 0.0% = \$ 0.00 First \$2,500 of your premium is discounted at 0%

\$ 4,000 x 17.5% = \$ 700.00 Remaining balance above \$2,500 is discounted at 17.5%

\$ 6,500 = \$ 700.00 TOTAL PREMIUM DISCOUNT

The total Premium Discount of \$700 divided by the premium of \$6,500 equals 10.77 percent. Subtract the 10.77% from 100% and this gives you an Estimated Premium Discount Modifier of .89230 **D**.

The Estimated Premium Discount Modifier **D** or .89230 times the Rating Plan Modifier **C** or .85770 equals the **Composite Factor E** or .76533.

Multiplying your Base Rate by the .76533 Composite Factor **E** will give you your Interim Billing Rate. Your Experience Modification is applied after the Interim Billing Rate.



Please see the glossary on the reverse side of this form.

Example 1

STATE COMPENSATION INSURANCE FUND		HOME OFFICE SAN FRANCISCO		ANNUAL RATING ENDORSEMENT	
IT IS AGREED THAT CLASSIFICATIONS AND RATES PER \$100 OF REMUNERATION APPEARING IN THE CONTINUOUS POLICY ISSUED TO THIS EMPLOYER ARE AMENDED AS SHOWN BELOW					
HERE ARE YOUR NEW RATES FOR THE PERIOD INDICATED. IF YOUR NAME OR ADDRESS SHOULD BE CORRECTED OR IF INSURANCE IS NOT NEEDED FOR NEXT YEAR, PLEASE TELL US.					
IMPORTANT		THIS IS NOT A BILL		CONTINUOUS POLICY	
SEND NO MONEY UNLESS STATEMENT IS ENCLOSED				1234567-02	
THE RATING PERIOD BEGINS AND ENDS AT 12:01 AM PACIFIC STANDARD TIME					
SAFETY ARTS CAMP		RATING PERIOD 7-01-02 to 7-01-03			
1234 ASPHALT DRIVE		DEPOSIT PREMIUM		\$ 1,740	
SAN FRANCISCO, CA 94103		MINIMUM PREMIUM		\$ 475	
PREMIUM ADJUSTMENT PERIOD QUARTERLY					
NAME OF EMPLOYER — SAFETY ARTS CAMP (A NON-PROFIT CORP.)					
CODE NO.	PRINCIPAL WORK AND RATES EFFECTIVE FROM	07-01-02 TO 07-01-03			
		A	B		
		BASE RATE	INTERIM BILLING RATE*		
9048	CAMPS—RECREATIONAL OR EDUCATIONAL—ALL OPERATIONS—INCLUDING CLERICAL OFFICE EMPLOYEES AT CAMP LOCATIONS.	17.29	13.23		
***** BUREAU NOTE INFORMATION *****					
FEIN 947654321					
COUNTERSIGNED & ISSUED AT SAN FRANCISCO JULY 3, 2002 POLICY FORM L					

Example 2

STATE COMPENSATION INSURANCE FUND		HOME OFFICE SAN FRANCISCO		ANNUAL RATING ENDORSEMENT	
IT IS AGREED THAT CLASSIFICATIONS AND RATES PER \$100 OF REMUNERATION APPEARING IN THE CONTINUOUS POLICY ISSUED TO THIS EMPLOYER ARE AMENDED AS SHOWN BELOW					
HERE ARE YOUR NEW RATES FOR THE PERIOD INDICATED. IF YOUR NAME OR ADDRESS SHOULD BE CORRECTED OR IF INSURANCE IS NOT NEEDED FOR NEXT YEAR, PLEASE TELL US.					
IMPORTANT		THIS IS NOT A BILL		CONTINUOUS POLICY	
SEND NO MONEY UNLESS STATEMENT IS ENCLOSED				1234567-02	
THE RATING PERIOD BEGINS AND ENDS AT 12:01 AM PACIFIC STANDARD TIME					
* INTERIM BILLING RATES WILL BE USED ON PAYROLL REPORTS. THEY TAKE INTO ACCOUNT RATING PLAN CREDITS (OR DEBITS) WHICH WILL APPLY AT FINAL BILLING AND AN ESTIMATE OF YOUR PREMIUM DISCOUNT AS DETAILED BELOW.					
RATING PLAN CREDITS (DEBITS) EFFECTIVE FROM 07-01-02 TO 07-01-03					
RATING PLAN MODIFIER		.85770 C			
ESTIMATED PREMIUM DISCOUNT MODIFIER		.89230 D			
COMPOSITE FACTOR APPLIED TO BASE RATES TO DERIVE INTERIM BILLING RATES		.76533 E			

* PREMIUM DISCOUNT SCHEDULE EFFECTIVE FROM 07-01-02 TO 07-01-03					
* ESTIMATED MODIFIED PREMIUM IS DISCOUNTED ACCORDING TO THE FOLLOWING SCHEDULE:					
* FIRST ABOVE					
* \$2,500 \$2,500					
* 0.0% 17.5%					

THE ESTIMATED PREMIUM DISCOUNT IS BASED ON AN ESTIMATE OF YOUR PAYROLL. ACTUAL PREMIUM DISCOUNT APPLIED AT FINAL BILLING WILL BE BASED ON THE ACTUAL PAYROLL REPORTED ON YOUR POLICY AND SUBJECT TO AUDIT.					
COUNTERSIGNED & ISSUED AT SAN FRANCISCO JULY 3, 2002 POLICY FORM L					

GLOSSARY

Glossary (Rev. 7-02)

Base Premium

Payroll (x) the base rate.

Base Rate

State Fund's rate as filed with the Department of Insurance. This is the rate State Fund charges per \$100 of payroll by each classification, prior to any applicable credits (debits) and estimated premium discounts.

Certificate of Insurance

A notice sent by the insurance carrier to a third party confirming that an employer has a valid insurance policy.

Classification Code Number

A statistical code used to categorize the type of work done by the policyholder's employees.

Composite Factor

The product of the Rating Plan Modifier and the Estimated Premium Discount Modifier. The Composite Factor is applied to the Base Rates to derive the Interim Billing Rates.

Coverage Period (Policy Period)

The effective dates of the policy. The beginning date is called the inception date and the ending date is called the expiration date.

Coverage Term

- **CC** – Continuous Coverage; policy renews each year and the deposit automatically transfers forward to the renewal year.
- **NX** – Non-expiring; policy renews each year and a new deposit is billed at renewal. The old deposit credits to the final bill for that year.
- **XP** – Expiring policy; policy expires at the end of the coverage period and will not renew. Deposit credits to the final bill for the policy.
- **BP** – Binder Policy; a temporary policy that provides coverage for no more than 60 days.

Deposit

Payment required to validate a workers' compensation insurance policy. See "Coverage Term" for more information on deposit handling.

Endorsement

An amendment, change, deletion or addition to the policy contract.

Estimated Annual Premium (EAP)

Payroll (x) base rates (x) experience modification (x) Rating Plan Modifier (x) Premium Discount Modifier. This is a "bottom line" estimate of the employer's expected premium.

Estimated Modified Premium (EMP)

Payroll (x) base rates (x) experience modification (x) Rating Plan Modifier.

Estimated Premium Discount

A discount given to accounts based on their individual premium size. Discounts apply to premiums of over \$2500.

Estimated Standard Premium

Payroll (x) Base Rate (x) Experience Modification (if applicable).

Interim Billing Rates

These adjusted rates reflect the Rating Plan Modifier and Premium Discount Modifier. These are the rates that will appear on your payroll reports.

Mandatory Assessments

These are fixed percentages of your premium and are subject to changes by regulatory agencies and legislation.

- **CIGA** – Assessment required by the California Insurance Guarantee Association.
- **WCA** – Assessment required by the Workers' Compensation Revolving Fund.
- **WCFA** – Assessment required by the Fraud Assessment Commission.

Minimum Premium

The minimum sum for which the carrier will insure the employer; it is not subject to proration or refund. Your premium will never be less than the minimum premium even if the policy is cancelled during the policy period.

Premium Adjustment / Payroll Reports

The premium adjustment period is the frequency (annual, semi-annual, quarterly or monthly) with which the insurer determines, bills and collects the premium earned or estimated to be earned during each interval of the policy period. A payroll report is the form sent to the policyholder to solicit the payroll of employees in order to make that premium determination.

Rating Plan Modifier

Includes all Rating Factors applicable to your policy (such as group discount and merit rating), except Premium Discount, and is applied to the base rates to calculate your Interim Billing Rates and your Estimated Modified Premium.

For further assistance, please contact your broker or local district office.